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AUTHOR Knutson, Ronald D.; And Others
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ABSTRACT

Rural development is broader than just agriculture. Farm policy cannot solve rural community problems. Rural problems are sufficiently unique to require special emphasis and special programs. Since rural development has a broader focus than the local community, its problems need to be addressed by all levels of government as well as the private sector. Different areas of the country present different rural situations, and flexibility is needed to address rural problems. Solving rural problems requires establishing and prioritizing goals and programs within goals. Explicit goals are needed to guide implementation and to provide standards by which program performance can be measured. Some problems cannot be solved by local or state governments without federal leadership and assistance. At the federal level, rural development policy begins with creating an overall national economic environment for growth in income, employment, and economic vitality. Six strategic areas with problems sufficiently pervasive to justify an appropriate federal role are: (1) income and employment policy; (2) education and retraining; (3) eliminating rural poverty; (4) utilizing and protecting natural resources; (5) improving rural health delivery systems; and (6) financing rural services. (ALL)

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TOWARD A COMPREHENSIVE RURAL DEVELOPMENT POLICY

by: Ronald D. Knutson, Texas A&M University
Glen C. Pulver, University of Wisconsin
Kenneth P. Wilkinson, Pennsylvania State University

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TOWARD A COMPREHENSIVE RURAL DEVELOPMENT POLICY

Ronald D. Knutson, Texas A&M University
Glen C. Pulver, University of Wisconsin
Kenneth P. Wilkinson, Pennsylvania State University

Rural development involves public and/or private initiatives to more effectively utilize and employ resources for the betterment of the rural community and its residents. This series of articles has explained alternative rural development policy initiatives to facilitate effective utilization and employment of resources. The emphasis has been on federal policy initiatives because of the role that the federal government can play in removing inequities, realizing economies of size where they exist, paying for program benefits realized by society in general (as opposed to state or local benefits), providing policy leadership, and coordinating rural development programs. This emphasis is not meant to minimize the key role that state and local governments play in developing, mobilizing, implementing, and financing rural initiatives. Instead, the discussion has been designed to identify major problem areas that remain after state and local government initiatives have been considered and to suggest ways that the federal government can play a part in removing road blocks to progress.

CONCLUSIONS REACHED

These papers have drawn a number of important general conclusions regarding the process of rural development and the beneficiaries of the development process. They have also revealed some important myths. Some of the major conclusions include the following:

- Rural development is broader than just agriculture. In some rural areas, farming and related input and product processing industries constitute a majority of economic activity. But in a larger number of rural areas, agriculture is a relatively small portion of employment and income generation. Over the past three decades many rural economies have tended to decline regardless of the level of farm income. This does not mean that agriculture is unimportant. It does mean that rural development policy is

much broader than agricultural policy. In fact, agricultural policy is not explicitly treated in any of the papers. ***This recognizes that farm policy cannot solve rural community problems.*** In addition, farm policy is sufficiently complex to be treated as a separate issue.

- Rural development policy has a broader focus than the local community. Rural problems extend across the countryside and beyond, affecting entire states and regions with spillover effects on urban areas. Rural development policy, therefore, can influence economic activity, employment, and demands for social services far beyond the rural community. ***These broader societal effects justify a role for the federal government.***
- Rural problems are not uniform. They have many unique local and regional dimensions. The regional planning committees for these workshops consisted of rural community leaders and academics who identified the major rural development problem as being different in each of the four regions:
    - Northeast: managing change
    - South: quality of rural education
    - North Central: leadership
    - West: public lands management.

  Even within regions there are substantial differences in the nature of the problem. For example, public lands management problems in the West are interspersed with issues of public service to a sparse intermountain and Great Plains population and controlled growth in densely populated coastal regions. An important policy lesson results: ***rural development policy must be sufficiently flexible to treat problems as they exist, where they exist.***
- Rural development problems, generally, are the most difficult to deal with in areas remotely located from population centers. An early study in agricultural economics by a Nobel prize winning economist found that farm incomes tend to be higher in rural areas having proximity to urban-industrial complexes. Such centers of economic growth

and employment continue to provide off-farm job opportunities, support real estate values, and bolster economic activity in the surrounding community. ***Rural communities not in a position to enjoy a favorable economic impact of nearby urban growth have greater difficulty coping with declines in employment and income.*** The best educated rural youth have a greater propensity to move to locations having more job opportunities and higher incomes.

- Trade-offs are involved in virtually every policy and program decision. Given the constraints on budgets at every level of government, a dollar spent in one area cannot be spent in another. Issues of priorities, therefore, become critically important. Often these trade-offs involve choices between treating what is perceived to be important immediate problems versus longer-run concerns such as education. ***Yet, if the longer-run concerns go untreated, permanent economic decline and/or inequities become inevitable.***

- Every rural community must change. In the past age of smaller farms, large families, poor roads, less communication, less technology, and fewer economies of size, more rural communities were needed. To a degree, the decline in rural communities reflects the economic realities of change -- much like the decline in farm numbers, the corner grocery store, or the independent hardware store. ***A basic policy choice involves whether to preserve rural communities (places) or to develop programs designed to help rural residents adjust to change.*** Choosing people over places may mean expanded retraining and even relocation programs. The alternative may be to locate business in a community where it is almost certain to fail and/or require permanent subsidies. Yet the people who remain behind in declining communities cannot be abandoned. ***Perhaps the most difficult issue in rural development policy involves when to help a community grow versus helping a community gracefully decline with a minimum of pain.***

NEED FOR A COMPREHENSIVE APPROACH

The foregoing conclusions serve to illustrate the complexity of the rural development problem. These papers have discussed the dimensions of various federal policy alternatives for dealing with specific rural problems -- income and employment, education and retraining, poverty, health care, natural resources, and rural public services. These problems, however, beg for a comprehensive approach because tackling any one problem will not revitalize rural America. Such an approach must place emphasis on attacking problems as they are in their local, state, regional, or national dimensions.

Past federal rural development policies, while well intended, have not effectively put the pieces together. In the Johnson Administration the emphasis was placed on federal intervention to meet specific national goals. The Nixon and Ford Administrations viewed the solution to the rural development problem as raising farm income. The Rural Development Act of 1972 held substantial potential for dealing with issues such as rural planning and infrastructure development, but it suffered from a lack of follow-through in funding and support. When farm income rose, the rural development problem was considered solved. ***In reality, all that changed were some of the symptoms; the cancer on rural America was still there, only to spread more rapidly and insidiously when farm income fell in the 1980s.***

In the 1980s, the responsibility for rural development was overtly shifted from the federal to the state and local levels. The federal policy became one of state and local responsibility with reduced federal leadership, support, and funding. A combination of adversities in rural America (including but not limited to the crisis on farms) led to reduced tax revenues in the face of increased demands for public services to control drugs and crime, to improve the quality of education, to clean up the water supply, and to improve the ability of rural health delivery systems to serve an aging population. This is the situation in many rural communities in the late 1980s.

TOWARD A COMPREHENSIVE RURAL DEVELOPMENT STRATEGY

The key to any effective government policy is a set of clearly defined goals. Since many public and private agencies, firms, and individuals are involved, there must be recognition of the roles and responsibilities of each. There must also be leadership for change.

Leadership

Without leadership, a continuing deterioration in rural living conditions is the most likely outcome. Both private and public sector leadership is essential to get momentum for finding solutions to rural problems.

An integral part of public sector leadership involves government programs -- local, state, or federal. In times of tight budgets, it has become popular to suggest the need for government initiatives without increased expenditures. Such a strategy is clearly not sufficient to deal with today's rural problems. As indicated previously, rural programs need to be flexible enough to deal with specific problems. Potential policy inconsistencies must be closely monitored, minimized, and/or dealt with. For example, rural retraining and education policies must recognize the potential for outmigration and economic decline. Long-run follow-through is essential: A well-conceived program for which hopes and optimism flourish only to be dashed by the lack of long-run support can do more harm than good. Rural education and health care programs particularly require long-run support.

Goals

Policy implies purpose. All too often programs are established without goals being explicitly specified. The result is both little guidance for the bureaucrats charged with implementation and the absence of standards by which program performance can be judged. In the first paper in this series, four rural development policy goals were suggested:

- Make rural areas a viable economic partner for the benefit of both rural and urban residents.
- Improve the quality of services (public and private) in rural areas.

- Reduce the vulnerability of rural areas to sudden changes in technology, markets, and the overall economic environment.
- Sustain the usefulness of rural resources for the benefit of current and future generations.

Roles

These goals can be satisfied in varying degrees by local, state, regional, or federal government action. The desire is often expressed to keep government initiatives as close to the local level as possible. However, some problems cannot be effectively and efficiently solved by local or state action alone. The key is one of fitting the level of action to that required to solve problems. Jurisdiction for programs and the cost of implementing them generally rests with those who enjoy the benefits of the program.

- Local governments have traditionally had the main responsibility for providing education, infrastructure (utilities, roads, police and fire protection), health, and social services. Many local governments are also involved in activities explicitly designed to attract business and industry.
- State governments have traditionally been responsible for dealing with problems that are broader than local communities. Highways and higher education are obvious examples. States also have tended to play increasingly important roles in supporting primary and secondary education, health, and social services. This state support is crucial to providing a more uniform base of support and opportunity from which everyone benefits.
- Federal government involvement in providing solutions to rural problems has been justified in the papers on the basis of exercising leadership in solving complex regional or national problems, coordinating programs across agencies and levels of government, removing market imperfections, remedying chronic inequities, distributing the costs and benefits of development activity equitably, increasing rural productivity and competitiveness, achieving efficiencies not attainable by state and local

governments, and balancing revenue-raising capacity (Table 1). Some problems simply cannot be effectively addressed without federal involvement.

Yet it is seldom necessary for the federal government to pick up the full cost of rural development. This contrasts with the farm problem which can only be effectively dealt with by the federal government because of the predominance of national and international markets. Since the benefits of rural development tend to be realized by local rural residents and by the general public, some federal-state-local sharing of the costs of rural development programs can generally be justified.

FEDERAL RURAL DEVELOPMENT POLICY ALTERNATIVES

At the federal level, rural development policy begins with creating an overall national economic environment for growth in income, employment, and continuing economic vitality. Rural America cannot flourish in an environment of overall depressed economic conditions. Monetary and fiscal policy needs to be implemented in a balanced manner to yield moderate rates of interest and inflation without large deficits year after year. Concurrently, trade policy needs to be designed to open markets for U.S. products while encouraging efficient production and progressive development of new and improved products. Within such an overall favorable economic environment, rural development policy alternatives have been developed in six strategic areas that include problems sufficiently pervasive to justify consideration of an appropriate federal role.

Income and Employment Policy

Many local, state, and federal programs have been initiated to increase business activity in rural areas. These programs can realize their goals only if employed in the right mix and properly targeted. Federal income and employment policy alternatives include the following:

- Providing financial support for education and technical assistance programs that are designed to enhance production and entrepreneurial skills, management capacity, and leadership abilities. Small business entrepreneurial management and analytical skills

Table 1. Justifications for a Federal Role in Rural Development Policy by Problem Area.

	Income and Employment	Education and Retraining	Resources and Environment	Rural Health Care	Poverty	Financing Rural Services
Remove Chronic Inequities		X		X	X	X
Increase Efficiency	X				X	X
Leadership in Solving Complex Regional or National Problems		X	X		X	
Coordinating Programs Across Agencies and Levels of Government	X		X		X	
Distributing Program Costs and Benefits Equitably	X	X	X	X	X	X
Balancing Revenue Raising Capacity		X			X	X
Market Imperfections			X	X		
Increase Rural Productivity and Competitiveness	X	X		X	X	

are critical needs in rural America. Good ideas need to be fostered with sound management practices. Programs for small businesses need to focus on *truly* small businesses. Successful urban-oriented programs should be broadened to rural communities.

- Utilizing federal regulatory powers and direct financial assistance to support a broader range of business and industrial opportunities. Diversity of business opportunities is a source of strength. Too many rural communities are too closely tied to agriculture, mining, energy, or forestry for their economic base. Diversification is a key to economic stability.
- Providing financial support to aid communities in developing an appropriate mix of business support infrastructure. Infrastructure *in the right mix* is critical to development. Investments in industrial parks must be matched by investments in rural roads, bridges, and communication systems.
- Utilizing federal regulatory powers and direct financial assistance to ensure entrepreneurs access to adequate capital for starts and expansion of rural enterprises. Credit subsidies and loan guarantees have been extensively used, and perhaps overused, as the solution to all problems. Well conceived, potentially profitable ideas often attract venture and debt capital on their own. At times too much emphasis has been placed on government subsidies and loan guarantees without enough emphasis being given to providing the tools for survival.

Education and Retraining

Since the Great Depression there has been a flight of rural youth to the cities. Even today the best rural minds leave rural counties for university training, and many never return to put their training to work in rural problems. The result is a serious depletion of rural human capital. Yet, technological change requires continuously higher levels of skills. Rural residents, with typically lower levels of education, have a disadvantage in acquiring those skills. When rapid technological change is combined with reduced rates of growth in demand,

major transitional adjustments are required. Federal policy alternatives include the following:

Rural Schools

- Federal policy could be used to achieve equitable funding of public education in rural areas. Community resource limitations should not be a constraint on quality education.
- Federal support for organizational change that does not involve consolidation may be justified. Further push in consolidation can be justified only on a case-by-case basis.
- Federal programs to assure that rural schools are technologically competitive are an essential component of a rural education policy. New electronic and distance learning technology is required for rural schools to be competitive.
- The federal government could assist in making needed curriculum changes. This could be accomplished through uniform testing procedures, requirements, and even rewards for superior performance.

Retraining

- Counseling could be added as a regular component of retraining programs. Research indicating severe depression in displaced farm men and women justifies consideration of counseling, particularly in rural areas.
- Training qualification requirements could be changed to provide retraining assistance while businesses are still operating, although the signs of failure are present. Reason for displacement would not be considered as a criteria for retraining.
- The federal government could pay relocation costs. Rural retraining programs often imply relocation and the burden of large moving costs. Transitory financial assistance may be essential to effective operation of retraining programs.

Eliminating Rural Poverty

The war on rural poverty was initiated over two decades ago, yet poverty conditions continue to plague many rural residents. The alternatives for tackling the poverty problem in the 1990s include the following:

- Fine tune the current poverty programs with improved coordination and adjustments to make benefits available when the principal wage-earner is unemployed. While improvements in economic poverty conditions are possible with current programs, the problems of the persistent poverty counties would continue.
- Target poverty program to specifically deal with the causes of poverty and reduce the symptoms. This requires a combination of skills development (education and retraining) concentrating on the persistently poor counties and development of business opportunities as well as social programs of income and in-kind assistance, including strengthening current programs to make them available to a broader range of the rural poor. While considerably more effective than current programs, such action would include substantial costs.
- A general comprehensive rural economic development package could be implemented to improve economic conditions for all rural residents. Such a comprehensive package would strengthen current poverty programs as well as place increased emphasis on education, skills development, retraining, jobs development, improved health delivery systems, and improved policy coordination.

Utilizing and Protecting Natural Resources

Agricultural, timber, mining, and energy resources interact in a complex manner to generate employment and income in rural America. Inherent in the efficient utilization of these resources is the protection of the resource base and environment for present and future generations. Government policy initiatives fall into the following categories:

- Increase federal investment in information and education on development potentials and constraints, provide increased economic incentives and technical assistance needed for

developmental activities, increase research on projects offering development potential, and promote exports.

- Environmental goals may stifle the economic growth objectives of rural communities unless special exemptions are provided. Alternatively, financial assistance may be extended for pollution control projects in the form of block grants and technical assistance. Regulations also may be implemented in phases that take into consideration the impact on the community. In some instances, environmental goals can be satisfied by making federal investments to utilize and preserve natural conditions while developing resources for recreation or even retirement living.
- The choice in public lands management is between increased privatization and continued federal ownership with increased sensitivity to local needs.

Improving Rural Health Delivery Systems

Delivery of basic medical and nursing services is crucial to caring for an aging rural population and making rural America an attractive place to live. The alternatives for improving the rural health delivery system include the following:

- The federal share of the total health care costs could be increased. Rural health care systems would benefit from increased federal expenditures but gains would likely not be substantial relative to urban health care.
- Rural health care systems could be targeted for increased federal support. Such targeting would equalize Medicare payments for Medicare, expand eligibility Medicaid beyond AFDC, and increase the federal share of *rural* health care costs for programs targeted to rural areas.
- Rechannel federal funds away from counterproductive Medicare and Medicaid policies designed to avoid potential malpractice suits and toward disease prevention, health leadership training, greater reliance on more cost effective means of providing care, and provision of health care transportation.

Financing Rural Services

Economic stress has eroded the tax base of rural America. In this environment, appropriate sharing of the costs of government becomes an important issue. Government policy alternatives include the following:

- Federal/state sharing in the costs of local income redistribution programs (transfer payments) may become critical to the ability of rural governments to maintain these programs.
- Federal/state assistance can encourage local jurisdictions to make investments in services which benefit much larger areas than the locality. Federal sharing in the costs of meeting federal/state standards for water quality, solid waste disposal, or quality of education may be essential for solving these problems.
- Federal compensation aid for high-cost rural services such as education, roads, or bridges can be effective if care is taken to encourage creative governmental reorganization and delivery systems at state and local levels.
- Federal matching funds can strengthen and implement innovative state/local means of dealing with specific rural development problems.

REQUIREMENTS FOR CHANGE

If substantive steps are going to be made in the direction of a comprehensive rural development policy there must be:

- Education and leadership
- Consensus and unity on required actions
- Coordination of policies and programs

Education and Leadership

The rural public generally lacks an understanding of what is required to achieve rural economic recovery. A broad-based educational program that includes leadership identification and training will be essential to developing a consensus on even the need for a more comprehensive approach.

Consensus and Unity of Action

One of the critically important lessons from this project involves the tremendous fragmentation that exists in dealing with rural issues. Many special interest groups are involved in lobbying for rural development programs, sometimes exclusively for single programs in a single agency. Often there is little appreciation for the role of individual organizations or individual programs in solving the broader rural development problem. Competitiveness among interest groups for what frequently is viewed as a rural development pie of a given size takes priority over adjusting the mix of programs by jointly lobbying to expand the size of the pie. If a consensus exists on what ought to be done, it has not been revealed either in the lobbying activities of organizations or in the actions of policymakers.

Eliminating this fragmentation requires private sector initiatives that are beyond the scope of this paper. However, it is interesting to observe that the farm lobby is far more effective at achieving its legislative goals than the rural development lobby -- even though the constituency involves many of the same people. Until rural development interest groups find means of reaching a consensus position on needed policy initiatives, little progress is likely to be made in dealing with rural development problems. If such a means were found, the rural development lobby could be stronger than the farm lobby because of the number of constituents and the key positions held by their elected and appointed policymakers.

Coordination of Policies and Programs

Fragmentation is at least as pervasive in the public action as in the private sector. In fact, private sector fragmentation fosters public sector fragmentation as each interest group wants its programs and agencies that it controls. In the federal government alone, there are over 30 individual agencies involved in implementing rural development programs. Coordination across these programs is inadequate -- even among agencies within a given cabinet secretary's jurisdiction. In fact, vertical coordination among levels of government (federal, state, and local) may be more effective than coordination across government agencies because of funding or

regulatory responsibilities.

Alternative means of coordinating rural development policy within the executive branch of government include the following:

- **Lead agency** designation establishes one department as the leader in rural development policy. USDA currently has this designation. The lead agency concept works only if the process is strongly supported by the President and other top officials of the executive branch and the Congress. Rural development problems may be too broad for effective utilization of a lead agency.
- **Cabinet councils** comprised of department or agency heads can coordinate policies across agencies and departments of the executive branch and operate as a committee on rural development policy. Such councils can be a useful part of the communication and policy-making process, although past rural development councils have not proven to be very effective in either developing or implementing policy.
- **Special assistant to the President** involves the designation of one individual in the Executive Office of the President as being in charge of rural development policy. A special assistant is, in essence, a super cabinet officer. The role of this individual is largely one of coordination of policy and programs among agencies. In the process, some of the power of the cabinet officers and agency heads is eroded. Yet, special assistants, such as the Special Trade Representative, have proven useful and effective when the "right" person is in the position and is supported by the President.
- **New rural development department** involves the creation of a new executive agency charged with implementing rural development policy. For a new rural development department to be created, programs would need to be explicitly enacted for rural development. Many of the current rural development programs have dual rural/urban constituencies. The Small Business Administration is charged with serving small businesses whether in rural or urban areas. The Department of Education implements its programs to rural and urban schools. Food stamps are distributed regardless of residency (which creates inequities). How a new department would relate to these

ongoing programs would need to be resolved if a new rural development department were created.

CONCLUSIONS AND IMPLICATIONS

In order to address the problems and needs of rural areas in a comprehensive manner, the following actions must take place:

- Recognize that rural problems are sufficiently unique to require special emphasis and, in some instances, special programs.
- Establish priorities on goals and on programs within goals.
- Achieve the flexibility to address problems as they exist and to adapt programs to problems.
- Obtain a commitment at all levels of government to deal with the problems.
- Recognize that some problems cannot be solved by either local or state governments without federal leadership and assistance.
- Encourage a long-run private and public sector commitment to deal with rural development issues and problems.
- Identify and train leadership for change.

Past neglect and the ingrained nature of rural development problems will require sustained efforts and federal commitments. With such efforts and commitments, rural America can be a good place to live and work.